

The Delaware, Lackawana and Western Railroad Co.

1950 Annual Report Analysis

(Dollars in Millions)

|                | DL&W  |                   | Eastern District |                   | Class I Roads |                   |                    | DL&W   |                   |
|----------------|-------|-------------------|------------------|-------------------|---------------|-------------------|--------------------|--------|-------------------|
|                | 1950  | % Change vs. 1949 | 1950             | % Change vs. 1949 | 1950          | % Change vs. 1949 |                    | 1950   | % Change vs. 1949 |
| Gross Revs.    | \$ 82 | 2.3%              | \$5 650          | 9.3%              | \$9 473       | 10.4%             | Bonded Debt        | \$ 114 | 0.5               |
| Oper. Exp.     | 64    | 1.5               | 2 891            | 4.9               | 7 059         | 2.4               | Equip. Oblig       | 20     | 4.4               |
| Net Income     | 4     | 78.8              | 182              | 104.6             | 783           | 78.8              | Pref. Stock        | -      | -                 |
| Common Div.    | 0.4   | -                 | 55               | 47.9              | 233           | 23.9              | Com. Stk. & Surp.  | 158    | 2.6               |
| Trans. Ratio   | 45.8% | 1.3               | 40.7%            | 2.6               | 36.9%         | 2.9               | Total Inv. Equit.  | 292    | 0.9               |
| Oper. Ratio    | 77.7% | 3.1               | 79.4%            | 3.6               | 74.5%         | 5.8               | % Debt to Inv. Eq. | 45.8%  | 0.9               |
| GTM per FTM    | 2 948 | 1.7               | 2 746            | 3.4               | 2 669         | 5.3               | Int. on Debt       | \$ 5.4 | 3.8               |
| Fix. Chg. Cov. | 1.69  | 0.28              | 2.03             | 34.4              | 2.94          | 37.4              | % Int. to Revs.    | 6.6%   | 0.1               |

(Decreases in red)

**Highlights** - DL&W's operating revenues rose only 2.3% over 1949 compared with increases of around 10% for both Eastern District and Class I Roads. Improvement in operating efficiencies resulted in decreased operating expenses of 1.5% compared with increases of 4.9% for the district and 2.4% for the industry. The subnormal increase in revenues resulted in smaller improvements in DL&W's transportation and operating ratios than shown by the averages.

**Financial** - DL&W's mortgage indentures require payments to specific sinking funds before the balance available for dividends is determined. For 1950 the net income of \$2.28 a share was reduced by these requirements to 36 cents a share. 25 cents a share was paid in 1950, the fourth straight year that this amount has been paid. No dividends were paid 1932-1947. DL&W exercised its rights to purchase 6,000 shares of NKP common at \$150 per share on January 30, 1951, making its total holding 66,000 shares, an investment of \$3,809,081.

**Operating Results** - DL&W's anthracite business, which declined in importance as a revenue producer from 30% of freight in 1939 to 17% in 1949, improved slightly in 1950. Merchandise revenues were down almost 1% from 1949 due to strikes in industries which adversely affected DL&W particularly. The greater portion of the decreased operating expenses was in maintenance of way, which the Company attributes to increased mechanization of maintenance of way work.

**Taxes** - There is pending a claim for refund of Federal income taxes involving the year 1942 in the amount of \$1,867,216, with interest. It is expected that this refund will be received in the near future. Under present tax rates, the net income of the Company would have to increase to about \$5.33 per share before the excess profits tax would apply.

**Dieselization** - An average of 86% of gross ton miles, 74% of passenger train-miles, other than suburban trains, and 69% of yard switching miles, was handled by diesel power during the year. This compared with 66%, 67% and 63%, respectively, in the previous year.

**Plant & Equipment** included addition of 2 electrically operated revolving cranes to modernize freight handling facilities at Hoboken freight terminal.

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Public Relations - The American Newspaper Publishers Association's Bureau of Advertising, which each year publishes a Blue Book of notable newspaper advertising, gave the Lackawanna an award of Special Recognition in connection with its program of advertising incident to the inauguration of "The Phoebe Snow". Among the fifty advertising campaigns in 1949 that received Special Recognition, Lackawanna was the only railroad included.

Office of Vice President-Finance  
August 24, 1951

Brightwater Bond

25% GAS CONTENT